

MARYLAND OPPORTUNITY ZONES



Opportunity Zone Leadership Taskforce

March 14, 2019 Salisbury, MD

OZ Milestones



- December 2017 H.R. 1 Opportunity Zone Legislation passes
- March 2018 Governor Hogan submits nominated OZs
- June 14, 2018 US Treasury designates Maryland's 149 Opportunity Zones
- July 30, 2018 DHCD / Commerce hold Opportunity Zone Conference
- October 18, 2018 IRS Guidance
- January 3, 2019 Governor Hogan announces OZ Initiatives & Launch of OZ Info-Exchange
- February 20, 2019 Governor's OZ Leadership Task force Kickoff meeting
- February 22, 2019 Closed NBWOZ loan to Clene Nanomedicine, Inc.
- March 14, 2019 Governor's Regional OZ Meeting Salisbury area
- March /April 2019 IRS Guidance Fund Structures, Investment in Operating Business
- Summer/Fall 2019 IRS Guidance Reporting and loose ends





January 3, 2019 - OZ Leadership task force led by Lt. Governor Boyd Rutherford

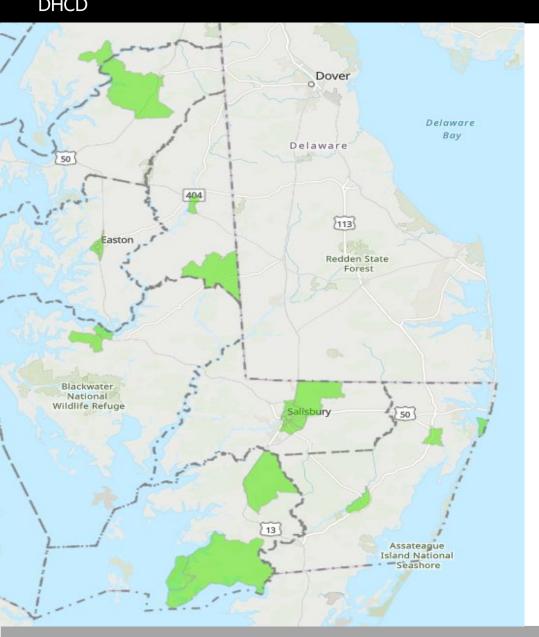
Outcomes

- Regional Sessions: Today, Southern MD (TBD), Western MD,
- Opportunity Zone Plan
- Legislative / Funding \$56.5 million
 - COMMERCE Tax Credits for creating new jobs / expanding job in OZs \$6M
 - DLLR Workforce training (EARN) \$3M
 - DHCD grants & loans \$31.5M
 - Rental Financing
 - Strategic Demolition
 - Neighborhood Business Works
 - TEDCO Strategic Infrastructure Investment Fund \$16M



Eastern Shore OZs





County	# of OZs	Cities
Kent	1	Chestertown
Queen Anne's	1	Churchill, Kingstown
Caroline	2	Denton, Federalsburg
Talbot	2	Easton
Dorchester	2	Cambridge
Wicomico	7	Salisbury
Worcester	3	Snow Hill, Ocean City
Somerset	3	Princess Anne, Crisfield
Total OZs	21	



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Eastern Shore – Businesses /Projects



Jurisdiction	# of OZs	Project Name	Type	Description	City
Kent	1	Dixon Valve Distribution Center	Manufacturing	Dixon Valve broke ground in 2017 to build a 150,000 sf state of the art distribution center in Chestertown.	Chestertown
Queen Anne's	1	Queen Anne's County Department of Economic and Tourism Development	General	Town of Church Hill, Kingstown	Chester
Talbot	2	Building Investment Opportunity	Residential	Lots available for the construction of more townhomes in Douglass Landing. Listing includes lots 48,49,50,51,52. Building plans may be available. Front foot fees apply.	Easton
Caroline	2	Federalsburg, MD Caroline County	Industrial	City of Denton , Federalsburg	Federalsburg
Dorchester	2	Cambridge Waterfront, Philiips Packing House, River Marsh	Mix Use	Cambridge Waterfront Development, Inc. seeks developers and financing for approximately 25 acres with a deep-water port, 470-foot wharf and public promenade along the scenic Choptank River.	Cam bridge
Wicomico	7	Salisbury Town Center, Project Malt	Industrial	Investment opportunity in a malt processing plant for distribution to support craft brewery market along East Coast.	Salisbury
Worcester	3	309 N. Washington St.	General	Previously a PNC Bank, this riverfront property has a beautiful brick infrastructure and is ready to be upgraded! The Town of Snow Hill is searching for investors to turn this property into a riverfront restaurant with outdoor dining, which our town is in need of. We have had design renderings completed for this project that we will gladly share with potential investors. The town has grant funding opportunities available.	Snow Hill, Ocean City
Som erset	3	IES Life Sciences, Inc.	Technology	IES Life Sciences, Inc. ("IES") is an innovative molecular diagnostics company harnessing the power of the immune system to diagnosis difficult to identify viruses and diseases, at the earliest stage, with a simple blood test. IES is initially focused on Lupus, Rheumatoid Arthritis and Lyme Disease.	Princess Anne, Crisfield
Total OZs	21				



Agenda



Background on Opportunity Zones







Opportunity Zones will help connect low-income communities with needed capital.

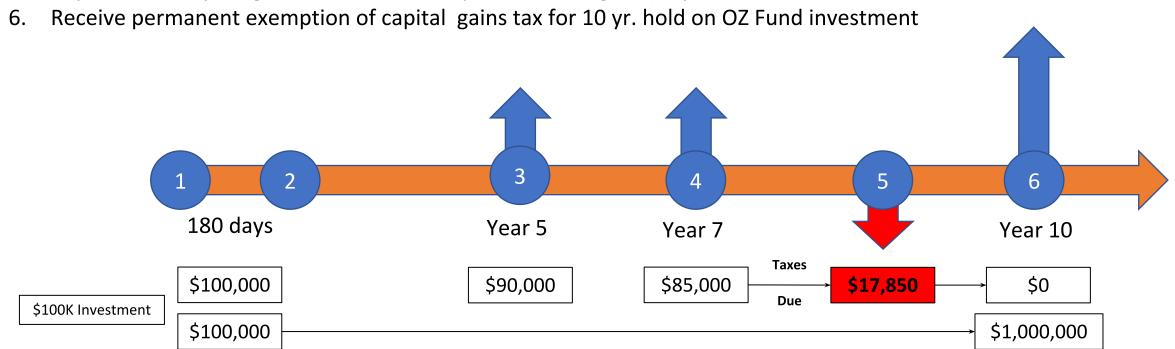
- Capital U.S. households and corporations were sitting on an estimated \$6.1 trillion in unrealized capital gains at the end of 2017.
- Connect Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to long-term holdings.

"See Leave	"Subchapter Z-Opportunity Zones
"Sec. 1400Z-1. Designation.	Z-Opportunity 7
*SEC 14002-2. Special rules for capital gains in-	Zones
Sec. 1400Z-2. Special rules for capital gains invested in SEC. 1400Z-1. DESIGNATION.	a opportunity zones.
"(a) QUALIFIED OPPORT	
census tract that is a low-income	DEFINED Book
mount to the community to	hat is designated the purposes of this subchanter of
(b) Designation.—	DEFINED.—For the purposes of this subchapter, the term 'qualified opportunity zone' means a populat is designated as a qualified opportunity zone.
"(1) IN GENERAL	- Popular
opportunity zone if -	of subsection (
	of subsection (a), a population census tract that is a low-income community is designated as a qualified determination period, the chief execution
"(A) not later than sh-	determination period, the chief executive officer of the State in which the tract is located— designation as a qualified opportunity zone, and
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and secretary in	writing of such population
"(B) the Secretary certifies such a	writing of such nomination, and omination and designates such tract as a qualified opportunity zone and omination and designates such tract as a qualified opportunity zone before the end of the consideration of the cons
period.	Omination and designation
Man Pro-	guates such tract as a qualified opposit
CODSIDER TENSION OF PERIODS	apportunity zone before the end of the
period, or both (determined)	chief executive officer of
"(c) Orner D	chief executive officer of a State may request that the Secretary extend either the determination or this subparagraph), for an additional 30 days.
OTHER DEFINITIONS For DUPPOSE	scoparagraph), for an additional 30,
"(c) OTHER DEFINITIONS.—For purposes of	this subsection— The term 'low-income community' has the same meaning as when used in section 45D(e).
(1) LOW-INCOME COMMUNITURE	
"(2) Departure	The term 'low-income com-
(2) DEPINITION OF PERIODS	Community' has the same meaning
7/11/0	as when used in section 457/22
SOCRETARION PERIOD	Touce).
receives notice under subsection	The term 'consideration pool to
"(B) Drawn	The term 'consideration period' means the 30-day period beginning on the date on which the The term 'determination period' means the 90-day period beginning on the date on which the The term 'determination period' means the 90-day period beginning on the date of the enactment of the term 'State' includes any power of the term
the Tax Cuts and Jobs Act, as extended un "(3) STATE.—For re-	anuer subsection (b)(2).
Cuts and Jobs Act, as extended up	The term 'determination post, at
"(3) STATE	der subsection (b)(2). a, the term 'State' includes any possession of the United States.
Por purposes of this section	beginning on the date of the appear
"(d) NUMBER OF DESIGNATIONS,—	the term 'State' includes any second of
DESIGNATIONS -	possession of the their
"(1) IN GENER	outes.
qualified opportunity Except as provided a	w
zones under this section m	y paragraph (2), the number of new 1
"(2) EXCEPTION:	ay not exceed 25 percent of the months tracts in a sense of
ualified opportunity zones.	by paragraph (2), the number of population census tracts in a State that may be designated as an ot exceed 25 percent of the number of low-income communities in the State. WITH LOW-INCOME COMMUNITIES.
vertically zones.	income communities in a State in 1.
(e) Designation On The	is less than 100, then a total of he
(e) DESIGNATION OF TRACTS CONTIGUOUS "(1) IN GENERAL.—A population census a	Wirm I am a for such tracts may be designed.
"(1) IN GENERAL	LOW-INCOME COMMUNITOR
is section if - A population census to	Diet than t
	that is not a low-income community
"(A) the tract is const	may be designated as a question
contiguous with the low	WITH LOW-INCOME COMMUNITIES.— Fact that is not a low-income community may be designated as a qualified opportunity zone under -income community that is designated.
"(B) the median family in	community that is designated as a
which the tract is contiguous.	income community may be designated as a qualified opportunity zone under income community that is designated as a qualified opportunity zone, and ct does not exceed 125 percent of the most of the content of the conte
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(2) LIMITATION.—Not many	income community that is designated as a qualified opportunity zone, and ct does not exceed 125 percent of the median family income of the low-income community with of the population census tracts designated in a State as a qualified opportunity zone may be
ignated under paragraph (1). Not more than 5 percent	of the popularie
- F (+).	Population census traces 4

Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States



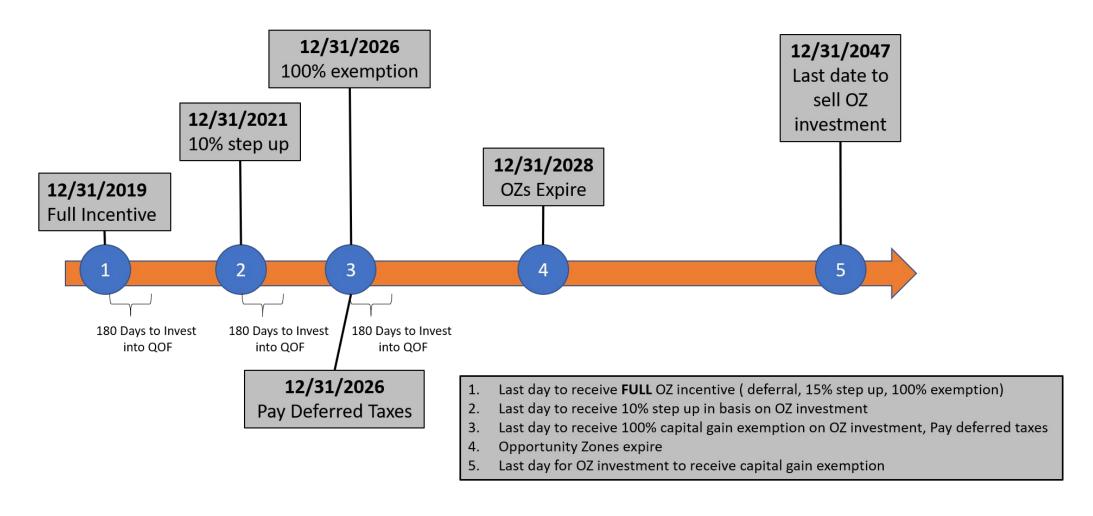
- 1. Realize gain from any capital gain triggering event
- 2. Invest in OZ Fund within 180 days
- 3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
- 4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
- 5. Pay deferred capital gain taxes due for Step 1(85% of original) by 12/31/2026







OZ Incentive Timeline







Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy90% of capital in Zones
- Capital is required to be an equity investment

Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation
- "Sin businesses" are not eligible
- Other requirements include property use in "active conduct of business" and limits on assets held in cash



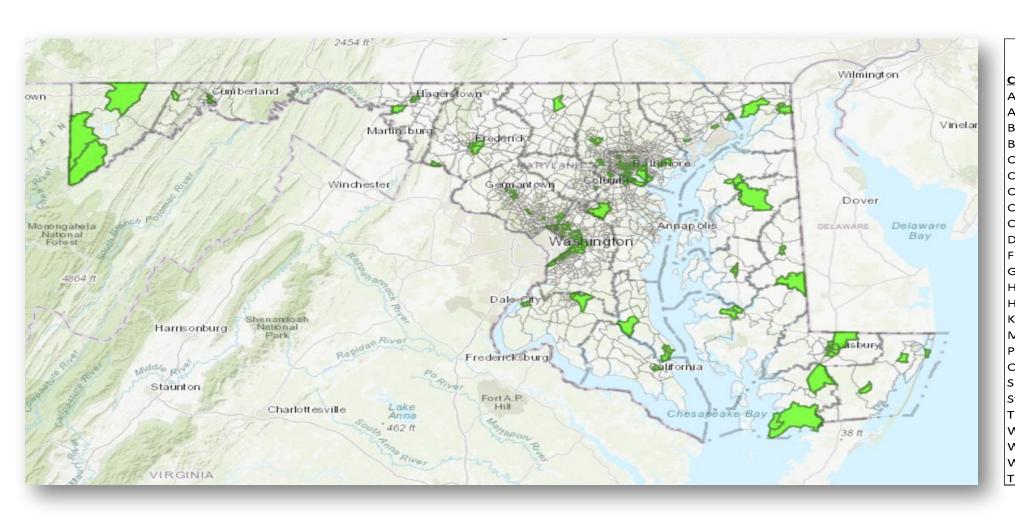


Maryland Opportunity Zones









	# of Designated
	<u>Opportunity</u>
County	<u>Zones</u>
Allegany	4
Anne Arundel	4
Baltimore County	10
Baltimore City	42
Calvert	3
Caroline	2
Carroll	1
Cecil	3
Charles	3
Oorchester	3 2 1 3 3 2 5 3 4 1
rederick	5
arrett	3
larford	4
loward	1
Cent	1
Montgomery	14
rince George's	25
Queen Anne's	1
omerset	3
t. Mary's	1
albot	2
Vashington	1 3 1 2 5 7 3
Vicomico	7
Vorcester	3
otal	149





State and Departmental Recommendations

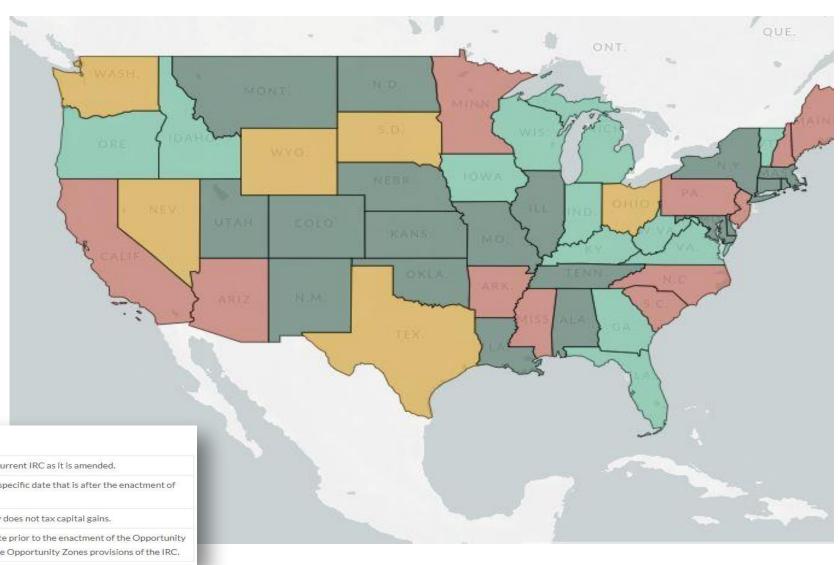
- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on "One Stop" permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD provide loans and grants to leverage Opportunity Zone investments
- DHCD establish information exchange to attract private sector capital







- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code



Legend

Conforming - Rolling: The state automatically conforms to the current IRC as it is amended.

Conforming - Fixed Date: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.

No Capital Gains: The state has no state income tax or generally does not tax capital gains.

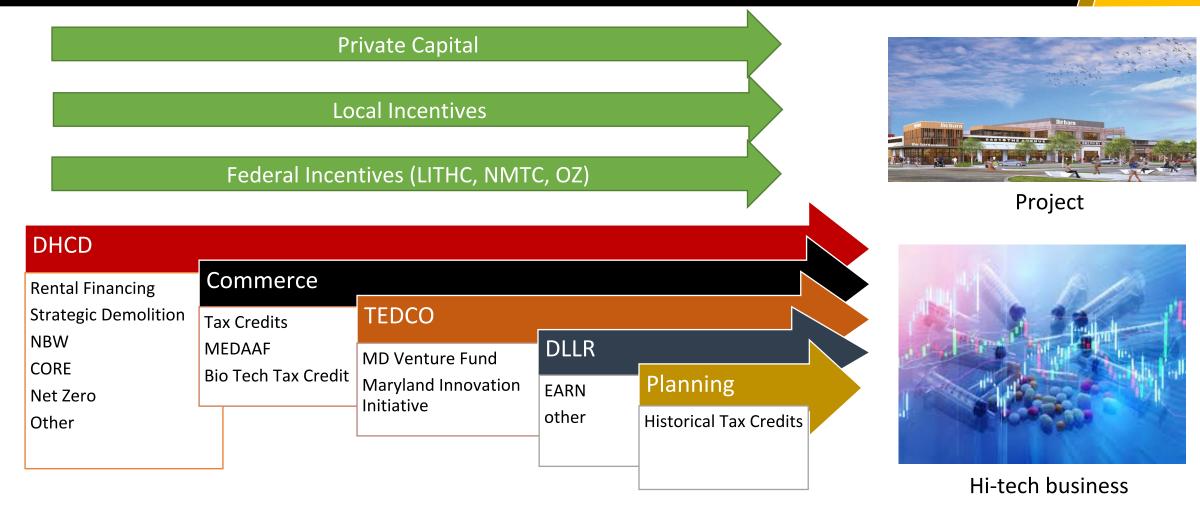
Nonconforming: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.

Source - Novogradac website

MARYLAND OPPORTUNITY ZONES

State - OZ Collaboration





DHCD's multiple funding programs can make a concentrated impact in OZs when combined with other State agencies and the private marketplace.





Opportunity Zones – Information Exchange

Information Exchange



- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area

Opportunity Zone Listings

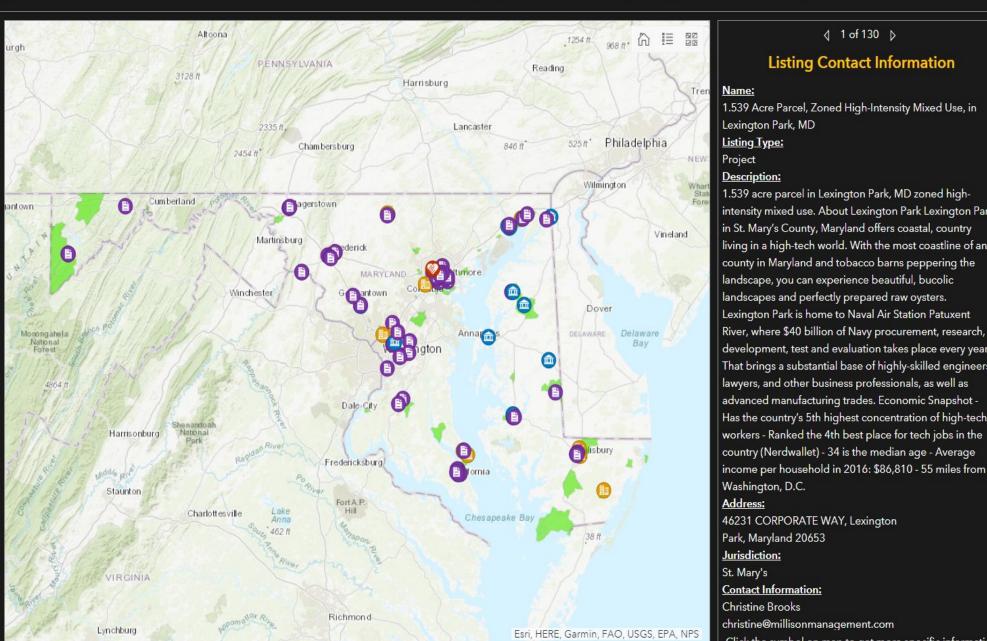
- 1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD Project - Mix
- 102 W. Potomac Street Brunswick Project - General
- 108.41 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD Project - Mix
- 1100 Wicomico **Project - Office**
- 1231 Tech Court **Project - Office**
- 17.798 Acre Parcel Zoned Limited Commercia Industrial in Lexington Park, MD Project - Retail
 - 1787 Capital Fund - Mix
- 1812 Greenmount Project - Mix

Project - Mix

Project - Mix

- 2.21 Acre Parcel, Zoned High-Intensity Mixed Use in Lexington Park, MD
- Project Mix
- 2.34 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD
- 2.59 Acre Parcel Zoned High Intensity Mixed Use in Lexington Park, MD
- 200-204 East Diamond Avenue Project - Mix
- 22.286 Acre Parcel Zoned High-intensity Mixed Use in Lexington Park, MD

Seclect a product from list to get more information



[1] AGREE AND UNDERSTAND

↑ 1 of 130
 ▶

Listing Contact Information

Name:

1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD

Listing Type:

Project

Description:

1.539 acre parcel in Lexington Park, MD zoned highintensity mixed use. About Lexington Park Lexington Park in St. Mary's County, Maryland offers coastal, country living in a high-tech world. With the most coastline of any county in Maryland and tobacco barns peppering the landscape, you can experience beautiful, bucolic landscapes and perfectly prepared raw oysters. Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year. That brings a substantial base of highly-skilled engineers, lawyers, and other business professionals, as well as advanced manufacturing trades. Economic Snapshot -Has the country's 5th highest concentration of high-tech workers - Ranked the 4th best place for tech jobs in the

Address:

46231 CORPORATE WAY, Lexington

Park, Maryland 20653

Jurisdiction:

St. Mary's

Contact Information:

Christine Brooks

christine@millisonmanagement.com

Click the symbol on map to get more specific information on this product



MARYLAND

CHANGING Maryland for the Better

OPPORTUNITY ZONES

Link to <u>Information-Exchange</u>
Link to <u>DHCD Opportunity Zones</u>
Link to <u>Task Force Homepage</u>

Questions Contact:

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Department of Housing and Community Development
Frank.dickson1@maryland.gov
301.429.7425